Mergerstat Review
FAQs

Mergerstat Review Q&As

Q: Why do I need the 2019 Mergerstat Review?

A: Merger and acquisition (M&A) activity continued at a rapid pace over the past year. You need the 2019 *Mergerstat Review* as your go-to source for M&A statistics, analysis, trends, and deal data by industry. *Mergerstat Review* is the leading publication to capture all information for U.S. and cross-border transactions annually. The 2019 *Mergerstat Review* delivers comprehensive transaction rosters, along with vital data and statistics on the M&A transactions that involved both publicly traded and privately held companies.

Q: How did *Mergerstat Review* change starting in 2018 and going forward?

A: There were five changes made to the *Mergerstat Review* from prior editions, starting in 2018. All changes were made to improve your experience and to provide greater transparency with the data.

- Historical updates were completed to 20 years of M&A data. These updates include aggregate volume and value totals, as well as the respective pricing multiples associated with the year's data.

- FactSet retired the 50-category Mergerstat industry classifications in favor of its 20-category industry sectors. For FactSet Mergers database subscribers, it means they are now aligned with FactSet's database screening taxonomy when searching for transactions either in the *Mergerstat Review* or the online database. For those who do not subscribe to FactSet Mergers, an SIC-to-FactSet-sector mapping is provided.

- Foreign seller ownership roles are more clearly defined. In prior editions, seller ownership roles were classified as either public, private, divestiture, and foreign. The Mergerstat Review now breaks down the seller ownership into the two groups:

  - Domestic transactions: public, private, and divestiture; and
  - Foreign transactions: public, private, and divestiture.

- Deal pricing was changed from base equity price to transaction value. The switch was done to better reflect the debt associated with the purchase.

- Transaction premiums still feature the premium paid for the targets' share prices five days prior to the announcement, but the *Mergerstat Review* now has four new tables that focus on premiums paid over the targets' enterprise values.

Q: What's the difference between transaction value and enterprise value?

A: The *Mergerstat Review* details the purchase price of transactions as the "transaction value" price rather than the base equity price. The "transaction value" accounts for the base equity price plus the same net debt value used in the calculation of enterprise value, but with the following conditions:

- The transaction is a 100% acquisition; and

- The acquired company is not a bank, insurance company, or finance company. These companies will continue to use the base equity price as the purchase price. This change solves the issue in valuing financial institutions when deposits and other debt-related securities are not valid forms of debt in accounting for enterprise value, a pricing method that overstated values of financial targets. Enterprise value also accounted for debt in the purchase of minority stake transactions, which overstates the cost to the purchaser when debt isn't likely assumed.
  So the default is now as follows:

    o Minority or majority stake purchase: Transaction value = base equity; and
    o Full acquisition in a nonfinancial industry: Transaction value = base equity + net debt.

Q: With the change from Mergerstat industry classifications to FactSet sectors, how will a user find relevant transactions?

A: On pages 87 and 386 of the 2019 *Mergerstat Review*, a directory maps the selected SIC code with the relevant FactSet sector.

Q: Will users be able to navigate through the *Mergerstat Review* the same as editions prior to 2018?

A: Yes. While most of the tables and charts remain the same prior to 2018, click here for a map that references the tables and charts from the prior years' publications so you can easily find the exact same table in this year's publication. The map shows if the table or chart number changed.

Q: Why were changes made starting with the 2018 edition?

A: BVR was given full access to the dynamic FactSet Mergers M&A data feed for publishing purposes. As a result, we were able to update 20 years of M&A data that captures new and updated transaction data that were collected after the publishing date of prior editions. In prior editions, the published year's M&A data was produced from an "as of" date, meaning additions and changes were not reflected in the publication. In addition, no historical updates or changes were made to the publication, despite the information becoming publicly available and collected at a later date. The *2018 Mergerstat Review* was the first edition to feature historical updates. BVR is now publishing M&A data that are more transparently accurate and overall better reflect prior years' M&A activity.

Furthermore, the addition of the four new premium tables are offered in response to client feedback we received. Your input is important to us, and, from the feedback we have received, we added four new tables that focus on premiums paid over enterprise value.